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CENTRAL INTELLIGENCE AGENCY

INFORMATION REPORT

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Controlled Zone

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THIS IS UNEVALUATED INFORMATION

1. Currency of the Democratic Republic of Vietnam (DRV) is controlled by the government Ministry of Finance and by the National Bank (Quoc Gia Ngan Hang), a private organization of the Communist Party of Indochina (PCI).
2. Since its creation, the Ministry of Finance has been directed by Le Van Hien, who is also a member of the National Defense Committee. The Ministry's sole function is the issuance of Ho Chi Minh (HCM) piaster notes. The sharp decrease in the value of the HCM piaster is exemplified in the price of rice, which cost 360 HCM piasters in 1946 and now costs 18,000 HCM piasters.¹ As the result of this inflation, the DRV has recently decided to reduce the taxes on agricultural products, artisanware and commerce, all of which are levied in the form of paddy.
3. The National Bank is directed by Nguyen Luong Bang, a member of the Central Committee of the Lao Dong Party. The bank has recently issued notes printed in Czechoslovakia in denominations of 20, 50 and most recently 100-HCM piasters. The 20 and 50 piaster notes were printed in late 1950 but were not distributed until about June 1951. In an attempt to counter inflation, the DRV announced that the new notes would be worth ten times as much as the old notes. However, the old notes were so badly made and deteriorate so quickly that a large black market has developed in domestic currency exchange, since there are not enough new notes to replace the old ones. In the Viet Bac Intersector and in Intersector III, for example, the new notes are worth 13 or 14 times as much as the old, while in Intersector IV the ratio is 16 or 17 to 1. In addition there is a wide lack of uniformity in the value of the old notes. Clean, undamaged notes are worth 20 to 30 percent more than torn ones. Several cases relating to the black market in currency have been prosecuted in the DRV courts.
4. DRV attempts to discredit the Indochinese piaster in DRV zones were at first limited to propaganda appeals. On 28 April 1948, however, a presidential decree prohibited the use of the Indochinese piaster and declared its circulation or retention a crime which could be brought before the military courts, punishable by one to five years in prison. An amendment to this decree, dated 30 April 1948, authorized the circulation of one piaster notes of the Bank of Indochina until 1950. The DRV controls currency exchange through the local Administrative and Resistance Committees.

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5. Although the retention of the Indochinese piaster is considered an act of treason and is severely punished, wealthy residents of the DRV zones attempt to hide and bury their Indochinese piasters. A large black market developed in the DRV area in late 1948 when the Bank of Indochina declared its red notes and 500-piaster notes void. Those with such types of Indochinese piasters sent them to the French-controlled areas for exchange through the intermediary of DRV supply agents, priests of the Phat Diem and Bui Chu area, who profited in the piaster exchange, and by individuals rallying to the Bao Dai Government.
6. The following is the current ratio in the value of the Ho Chi Minh piaster to the Indochinese piaster:
 - a. In the Viet Bac Intersector one Indochinese piaster is worth 300 HCM piasters of the old type and 25 HCM piasters of the new National Bank type.
 - b. In Intersector III one Indochinese piaster is worth 250 HCM piasters of the old type and 20 of the new type.
1. Comment. While no unit was given, possibly this refers to 100 kilos of rice.

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